

**ALASKA STATE LEGISLATURE
SENATE RESOURCES STANDING COMMITTEE**

April 7, 2021

3:32 p.m.

MEMBERS PRESENT

Senator Joshua Revak, Chair
Senator Peter Micciche, Vice Chair
Senator Gary Stevens
Senator Natasha von Imhof
Senator Jesse Kiehl
Senator Scott Kawasaki

MEMBERS ABSENT

Senator Click Bishop

COMMITTEE CALENDAR

SENATE BILL NO. 27

"An Act relating to industrial hemp; and providing for an effective date."

- MOVED CSSB 27(RES) OUT OF COMMITTEE

SENATE BILL NO. 33

"An Act relating to a seafood product development tax credit; providing for an effective date by repealing secs. 32 and 35, ch. 61, SLA 2014; and providing for an effective date."

- MOVED CSSB 33(RES) OUT OF COMMITTEE

SENATE BILL NO. 62

"An Act relating to surface use restrictions for oil and gas leases; relating to gas leases in Kachemak Bay; relating to the renewable energy grant fund; and providing for an effective date."

- MOVED SB 62 OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: SB 27

SHORT TITLE: INDUSTRIAL HEMP PROGRAM; MANUFACTURING

SPONSOR(s) : SENATOR(s) HUGHES

01/22/21	(S)	PREFILE RELEASED 1/8/21
01/22/21	(S)	READ THE FIRST TIME - REFERRALS
01/22/21	(S)	L&C, RES
03/08/21	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
03/08/21	(S)	Heard & Held
03/08/21	(S)	MINUTE(L&C)
03/15/21	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
03/15/21	(S)	Moved CSSB 27(L&C) Out of Committee
03/15/21	(S)	MINUTE(L&C)
03/17/21	(S)	L&C RPT CS 3DP 1NR SAME TITLE
03/17/21	(S)	DP: STEVENS, GRAY-JACKSON, HOLLAND
03/17/21	(S)	NR: REVAK
03/31/21	(S)	RES AT 3:30 PM BUTROVICH 205
03/31/21	(S)	-- MEETING CANCELED --
04/07/21	(S)	RES AT 3:30 PM BUTROVICH 205

BILL: SB 33

SHORT TITLE: SEAFOOD PRODUCT DEVELOPMENT TAX CREDIT

SPONSOR(s) : SENATOR(s) STEVENS

01/25/21	(S)	PREFILE RELEASED 1/8/21
01/25/21	(S)	READ THE FIRST TIME - REFERRALS
01/25/21	(S)	RES, FIN
02/22/21	(S)	RES AT 3:30 PM BUTROVICH 205
02/22/21	(S)	Heard & Held
02/22/21	(S)	MINUTE(RES)
04/07/21	(S)	RES AT 3:30 PM BUTROVICH 205

BILL: SB 62

SHORT TITLE: GAS LEASES; RENEWABLE ENERGY GRANT FUND

SPONSOR(s) : RULES BY REQUEST OF THE GOVERNOR

01/29/21	(S)	READ THE FIRST TIME - REFERRALS
01/29/21	(S)	RES, FIN
03/10/21	(S)	RES AT 3:30 PM BUTROVICH 205
03/10/21	(S)	Heard & Held
03/10/21	(S)	MINUTE(RES)
04/07/21	(S)	RES AT 3:30 PM BUTROVICH 205

WITNESS REGISTER

SENATOR SHELLEY HUGHES
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Sponsor of SB 27.

BUDDY WHITT, Staff
Senator Shelley Hughes
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented the sectional analysis for SB 27.

ROB CARTER, Chief Agronomist
Division of Agriculture
Department of Natural Resources (DNR)
Palmer, Alaska

POSITION STATEMENT: Answered questions regarding SB 27.

TIM LAMKIN, Staff
Senator Gary Stevens
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Provided the summary of changes between version A and version B of SB 33.

NICOLE REYNOLDS, Deputy Director
Tax Division
Department of Revenue (DOR)
Anchorage, Alaska

POSITION STATEMENT: Answered questions about the fiscal note for SB 33 and whether it would apply to the CS.

HALEY PAINE, Deputy Director
Division of Oil and Gas
Department of Natural Resources (DNR)
Anchorage, Alaska

POSITION STATEMENT: Provided a summary of SB 62.

ACTION NARRATIVE

[3:32:23 PM](#)

CHAIR JOSHUA REVAK called the Senate Resources Standing Committee meeting to order at 3:32 p.m. Present at the call to order were Senators Kiehl, von Imhof, Stevens, Kawasaki, Micciche, and Chair Revak.

SB 27-INDUSTRIAL HEMP PROGRAM; MANUFACTURING

[3:33:09 PM](#)

CHAIR REVAK announced the consideration of SENATE BILL NO. 27 "An Act relating to industrial hemp; and providing for an effective date."

He noted that CSSB 27(L&C) was before the committee, and listed the individuals available to answer questions.

[3:33:48 PM](#)

SENATOR SHELLEY HUGHES, Alaska State Legislature, Juneau, Alaska, sponsor of SB 27, recounted the timeline of the industrial hemp program. In 2014, Congress passed a farm bill that allowed states to start an industrial hemp pilot program. Late in the 2016 legislative session, Senator Johnny Ellis introduced legislation to remove hemp from the criminal statutes and identify it as a crop. Shortly thereafter, one of her most conservative constituents said he wanted to try industrial hemp as food stock for his cattle. The bill did not pass that year and Senator Ellis retired. Over the interim, the US Department of Agriculture (USDA) established a path for states to have an industrial hemp program that would comply with the law. In 2017, she filed [Senate Bill 6] and it passed unanimously in April 2018. In December 2018, Congress passed the Hemp Farming Act as part of the 2018 Farm Act, which removed industrial hemp from the Schedule I Controlled Substance list. In 2019, the USDA released new regulations that allowed states to continue their pilot programs until October 2020 or until a full industrial hemp program was approved. The USDA subsequently extended the date to October 2021.

SENATOR HUGHES said that because of the federal changes since 2018, Alaska has to change its statutes. SB 27 is the response, and it primarily removes the industrial hemp pilot program and directs the Department of Natural Resources (DNR) to develop a compliant program and submit it to the USDA for approval. The bill also gives DNR the authority to permit the manufacture of hemp products and to set up a registration and renewal process to participate in the program. It also says that registrants cannot have a controlled substance felony conviction in the last 10 years.

[3:36:55 PM](#)

CHAIR REVAK asked Mr. Whitt to walk through the sectional analysis.

[3:37:04 PM](#)

BUDDY WHITT, Staff, Senator Shelley Hughes, Alaska State Legislature, Juneau, Alaska, stated he would go through the sectional analysis and highlight cleanup provisions in current law as well as areas that are required for compliance with federal law. The sectional analysis read as follows:

Section 1 - AS 03.05.010(a) - Page 1, Line 3 through Page 3, Line 8

Two subsections added to this section authorizing the commissioner of the Department of Natural Resources to include the manufacturing and retail sales of products made from industrial hemp, as well as registration and renewal procedures, in the regulations for the industrial hemp program.

MR. WHITT explained that the commissioner needs these additional powers because the bill does away with the pilot program.

Section 2 - AS 03.05.010(c) - Page 3, Lines 9 through 15

Amends AS 03.05.010(c) to allow that the Commissioner of the Department of Natural Resources may issue a stop sale order to a person found to be producing industrial hemp over 0.3 delta-9-tetrahydrocannabinol. Previous language was overly restrictive and did not allow the department to work with a good actor to recondition their crop. The new language allows the department to determine whether someone was acting in good faith or not prior to issuing the stop order.

MR. WHITT explained that the previous committee of referral added and amended Section 2 at the request of the division. The previous language said a stop order had to be issued and the Department of Public Safety and Marijuana Control Board had to be notified if any hemp plant tested over 0.3 percent THC.

[3:39:37 PM](#)

Section 3 - AS 03.05.076(a) - Page 3, Lines 16 through 31

Adds language that a registrant for the industrial hemp program is not eligible if they had been convicted of a felony involving a controlled substance within the last ten years. This section is added to comply with provisions of the 2018 Farm Bill.

MR. WHITT mentioned the memo from Legislative Legal Services that specifies that this provision is needed to comply with federal law.

Section 4 - AS 03.05.076(i) - Page 4, Lines 1 through 4

Adds that the department may develop an industrial hemp program that complies with federal requirements and submit a plan for the program to USDA for approval.

Section 5 - AS 03.05.079 - Page 4, Line 5 through 11

A grower may retain and recondition their crop if it tests above .3% but below 1.0% THC.

Section 6 - AS 03.05.079(b) - Page 4, Lines 12 through 14

A new subsection adds that a person who retains but fails to recondition is guilty of a violation.

[3:41:56 PM](#)

Section 7 - AS 03.05.100(5) - Page 4, Lines 15 through 21

Changes the statutory definition of industrial hemp to match the federal definition which was changed in the 2018 Farm Bill.

Section 8 - Page 4, Line 22 Repeals AS 03.05.077 the Industrial Hemp Pilot Program

Section 9 - Page 4, Lines 23 through 31

Conditional effect for Section 8 of the bill, in that the Pilot Program statute is repealed when the Industrial Hemp Program developed by the department is approved by the USDA.

Section 10 - Page 5, Lines 1 through 3

Effective date language stating that if section 8 is repealed under the conditions of section 9, the effective date of section 8 is the day after notice is received by the revisor of statutes by the Commissioner of Natural Resources.

[3:43:27 PM](#)

SENATOR HUGHES described the legislation as an effort to diversify the economy. She noted that the Division of Agriculture reported this crop generated more inquiries than any other crop. Industrial hemp is a multi-billion dollar industry in China and Canada ranks second. Because the climate in Alaska is similar to some parts of Canada, she said this industry could be very successful. She listed some of the products made from hemp including building supplies, insulation, plastic-like materials, oil spill cleanup products, and a wide variety of CBD

products. "There is a wide spectrum of potential, and we want to make sure that door is open for Alaska," she said.

CHAIR REVAK asked if industrial hemp is different than marijuana plants and products.

[3:44:56 PM](#)

MR. WHITT replied that is correct. He added that many studies have shown that industrial hemp that is within the THC parameters in the bill has no psychoactive effect on the human body.

[3:45:19 PM](#)

CHAIR REVAK opened public testimony on SB 27; finding none, he closed public testimony.

CHAIR REVAK asked if there were amendments.

[3:45:54 PM](#)

SENATOR MICCICHE moved Amendment 1.

32-LS0249\B.2
Radford
3/30/21

AMENDMENT 1

OFFERED IN THE SENATE

TO: CSSB 27(L&C)

Page 3, line 31:

Delete "**before**"

Insert "**after**"

[3:45:56 PM](#)

CHAIR REVAK objected and asked Mr. Whitt to provide an explanation for Amendment 1.

MR. WHITT explained that the language in the new subparagraph (B) on page 3, line 29 contains a drafting error and should refer to lawfully growing hemp after December 20, 2018. This is the grandfather clause under the felony provisions of the bill that identify who can and who cannot produce industrial hemp.

[3:47:27 PM](#)

CHAIR REVAK removed his objection to Amendment 1.

[3:47:31 PM](#)

At ease

[3:48:03 PM](#)

CHAIR REVAK reconvened the meeting and reinstated his objection for additional discussion.

MR. WHITT advised that he referenced the wrong line when he was discussing the amendment. The word "before" should be changed to "after" on page 3, line 31.

[3:48:29 PM](#)

CHAIR REVAK noted that the amendment reflected the corrected statement. He removed his objection. Finding no further objection, he announced that Amendment 1 passes.

[3:48:43 PM](#)

SENATOR KIEHL moved Amendment 2 [B.4].

32-LS0249\B.4

Radford

3/30/21

AMENDMENT 2

OFFERED IN THE SENATE

BY SENATOR KIEHL

TO: CSSB 27(L&C)

Page 3, lines 9 - 15:

Delete all material and insert:

"* **Sec. 2.** AS 03.05.010(c) is amended to read:

(c) **The commissioner of natural resources shall notify the Marijuana Control Board and the Department of Public Safety when the commissioner issues a stop order.** The commissioner of natural resources

(1) shall issue a stop order to **a** [ANY] person

(A) not registered under AS 03.05.076
who is found to be producing a plant [PRODUCT]
with delta-9-tetrahydrocannabinol; or
(B) registered under AS 03.05.076 who
is found to be producing a plant with delta-9-
tetrahydrocannabinol over one percent; and
(2) may issue a stop order to a person
registered under AS 03.05.076 who is found to be
producing a plant with delta-9-tetrahydrocannabinol
between 0.3 percent and one percent [OVER 0.3 PERCENT,
REGARDLESS OF WHETHER THE PERSON IS REGISTERED UNDER
AS 03.05.076. THE COMMISSIONER OF NATURAL RESOURCES
SHALL NOTIFY THE MARIJUANA CONTROL BOARD AND THE
DEPARTMENT OF PUBLIC SAFETY WHEN THE COMMISSIONER
ISSUES A STOP ORDER]."

Page 3, following line 31:

Insert a new bill section to read:

"* **Sec. 4.** AS 03.05.076(e) is amended to read:

(e) The department [MAY]

(1) shall issue a stop-sale order and issue
a violation notice to a person who is producing
industrial hemp without a current registration;

(2) may adopt regulations regarding
approved shipping documentation for the transportation
of industrial hemp;

(3) may conduct random tests and
inspections of industrial hemp for delta- 9-
tetrahydrocannabinol concentration produced by an
individual registered under this section."

Renumber the following bill sections accordingly.

Page 4, line 26:

Delete "Section 8"

Insert "Section 9"

Page 5, line 1:

Delete "sec. 9(a) "

Insert "sec. 10(a) "

Delete "sec. 8"

Insert "sec. 9"

Page 5, line 3:

Delete "sec. 9(b) "

Insert "sec. 10(b) "

3:48:46 PM

CHAIR REVAK objected for discussion purposes.

3:48:49 PM

SENATOR KIEHL explained that Amendment 2 addresses discretion in the stop orders. If somebody is growing industrial hemp but they are not registered in the program, a stop order must be issued. If they are growing industrial hemp and it has THC above the legal threshold and the crop cannot be reconditioned, a stop order must be issued. But somebody who is registered and in the window where the crop that is above the threshold could be reconditioned, the commissioner has the discretion to issue the stop order. He noted that when a stop order is issued, the commissioner notifies both the Marijuana Control Board and the Department of Public Safety (DPS).

He relayed that he worked with the sponsor's office on the amendment.

CHAIR REVAK asked Mr. Whitt to comment on the amendment and describe the circumstances under which there would be small amounts of THC in a crop and why that should be addressed in the bill.

3:49:54 PM

MR. WHITT stated that the bill sponsor supports Amendment 2. It clarifies the issue of stop orders. He said these are serious, both for registered growers who are trying to follow the guidelines of the program and for the division that is trying to stop unregistered growers. This is a new crop that has the potential to have a positive fiscal impact on the economy, so it is important to protect good actors and ensure that those who are ignoring the statutes are prevented from doing business.

He deferred the question about THC levels in a crop to Rob Carter.

CHAIR REVAK clarified that his question was under what circumstances would there be small amounts of THC in a crop and why is it necessary to address that in the bill.

3:51:53 PM

ROB CARTER, Chief Agronomist, Division of Agriculture, Department of Natural Resources (DNR), Palmer, Alaska, explained that industrial hemp is a physiological response to the genus and species of the plant, which is cannabis. The genetics of the plant do not produce significant

amounts of THC like is seen in recreational marijuana, but depending on the variety a grower has chosen and the growing environment, the THC may increase. He said farmers invest a lot of time and resources in planting their crops and if the THC happens to rise above the 0.3 threshold, they could recondition it with another lot to dilute the concentration of the entire lot to below the threshold for legal industrial hemp.

[3:55:11 PM](#)

CHAIR REVAK thanked him for the clarification. He removed his objection to Amendment 2. Finding no further objection, he announced that Amendment 2 passed.

He found no further questions and solicited the will of the committee.

[3:55:29 PM](#)

SENATOR MICCICHE moved to report the CS for SB 27, work order 32-LS0249\B as amended, from committee with individual recommendations and attached fiscal note(s).

[3:55:47 PM](#)

CHAIR REVAK found no objection and CSSB 27(RES) was reported from the Senate Resources Standing Committee.

SB 33-SEAFOOD PRODUCT DEVELOPMENT TAX CREDIT

[3:55:59 PM](#)

CHAIR REVAK announced the consideration of SENATE BILL NO. 33 "An Act relating to a seafood product development tax credit; providing for an effective date by repealing secs. 32 and 35, ch. 61, SLA 2014; and providing for an effective date."

He noted this was the second hearing and the intention was to adopt a committee substitute (CS), take public testimony, and gauge the will of the committee. He asked Senator Stevens if he had additional remarks.

[3:56:30 PM](#)

At ease

[3:57:20 PM](#)

CHAIR REVAK reconvened the meeting.

[3:57:28 PM](#)

SENATOR GARY STEVENS, speaking as sponsor of SB 33, explained that the bill is about adding value to Pollock and cod, which is already being done with salmon. The additional revenue helps with reimbursements for the investments in hardware, machinery, and infrastructure for processing these fisheries. He highlighted the benefit of using all parts of the fish. He said the tax credit currently only applies to salmon and herring and SB 33 expands the program to the Pollack and cod fisheries.

[3:58:03 PM](#)

CHAIR REVAK solicited a motion to adopt the committee substitute.

[3:58:11 PM](#)

SENATOR MICCICHE moved to adopt the CS for SB 33, work order 32-LS0308\B, as the working document.

[3:58:22 PM](#)

CHAIR REVAK objected for discussion purposes. He asked Mr. Lamkin to explain the changes.

[3:58:34 PM](#)

TIM LAMKIN, Staff, Senator Gary Stevens, Alaska State Legislature, Juneau, Alaska, stated that the only difference is that version B has a January 1, 2021 retroactivity clause, so any investments made last year can be applied for credit.

[3:59:07 PM](#)

SENATOR MICCICHE noted that the fiscal note estimates the revenue in 2023 would be \$2.9 million and it grows from there. He asked if the CS adds approximately \$3 million to the fiscal note as well.

[3:59:27 PM](#)

MR. LAMKIN answered it may; it is an estimate of the credits that would be applied [against the Fisheries Business Tax for qualified investments].

CHAIR REVAK asked Ms. Reynolds to respond to the question.

[4:00:01 PM](#)

NICOLE REYNOLDS, Deputy Director, Tax Division, Department of Revenue (DOR), Anchorage, Alaska, stated that the fiscal note was prepared based on the language in version A of the bill. DOR has not submitted an updated fiscal note that estimates the revenue impact for FY2022. That being said, she estimated the fiscal impact would be close to the current fiscal note; the

value of the credit is \$2.9 million to \$5.1 million. She offered to provide an updated fiscal note upon request.

[4:01:14 PM](#)

SENATOR MICCICHE said he could wait until the bill goes to finance.

[4:01:35 PM](#)

CHAIR REVAK removed his objection. Finding no further objection, the CS for SB 33 was adopted.

[4:01:59 PM](#)

CHAIR REVAK opened public testimony on SB 33; finding none, he closed public testimony.

He solicited the will of the committee.

[4:02:30 PM](#)

SENATOR MICCICHE moved to report the CS for SB 33, work order 32-LS0308\B, from committee with individual recommendations and attached fiscal note(s).

[4:02:46 PM](#)

CHAIR REVAK announced that without objection CSSB 33(RES) was reported from the Senate Resources Standing Committee.

[4:02:58 PM](#)

At ease.

SB 62-GAS LEASES; RENEWABLE ENERGY GRANT FUND

[4:05:43 PM](#)

CHAIR REVAK reconvened the meeting and announced the consideration of SENATE BILL NO. 62 "An Act relating to surface use restrictions for oil and gas leases; relating to gas leases in Kachemak Bay; relating to the renewable energy grant fund; and providing for an effective date."

CHAIR REVAK stated that the first hearing was on March 10 and public testimony was heard. He reminded the committee that the Department of Natural Resources (DNR) responded to the questions from the first hearing and it was distributed to the members. It is also included in the bill packets.

He asked Ms. Paine to provide a recap of the bill.

[4:06:45 PM](#)

HALEY PAINE, Deputy Director, Division of Oil and Gas, Department of Natural Resources (DNR), Anchorage, Alaska, stated that the purpose of SB 62 is to allow the Division of Oil and Gas to lease and capture revenue from state-owned resources underlying lands restricted to surface use. She clarified that the bill does not open Kachemak Bay or any other closed area to surface development. The intent is to capture royalty revenue from geology drained through development on nearby unrestricted lands.

MS. PAINE explained that if the unleased land is drained by wells on adjacent leases, royalties may not be paid to the state or the revenue could be diminished. She said this may prevent the state from realizing the revenue unless a remedy is sought through the Alaska Oil and Gas Commission (AOGCC) for correlative rights. Furthermore, leasing is the standard mechanism for establishing a contractual relationship between the state and developer. Through the lease, the state exercises its authority to require compliance with mitigation measures and require sharing of drilling and reservoir data.

MS. PAINE highlighted that Section 2 of the bill identifies a specific Township that is the area the division proposes to allow for gas only leasing while maintaining the current surface use restrictions. She noted that a subsequent section amends the statutes to authorize the allocation of funds to allow the legislature to appropriate revenue from these leases to the Renewable Energy Grant Fund.

[4:09:21 PM](#)

CHAIR REVAK found no questions or comments and solicited the will of the committee.

[4:09:25 PM](#)

SENATOR MICCICHE moved to report SB 62, work order 32-GS1714\A, from committee with individual recommendations and attached fiscal note(s).

[4:09:39 PM](#)

CHAIR REVAK found no objection and SB 62 was reported from the Senate Resources Standing Committee.

[4:10:16 PM](#)

There being no further business to come before the committee, Chair Revak adjourned the Senate Resources Standing Committee meeting at 4:10 p.m.